

**REPORT TO THE HONORABLE JOSEPH E. KERNAN
CONCERNING THE OPERATIONS AND PROCEDURES OF
THE INDIANA BUREAU OF MOTOR VEHICLES**

Submitted by:

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INDIANA BUREAU OF MOTOR VEHICLES REPORT

I. ASSIGNMENT

On December 17, 2003, the Honorable Joseph E. Kernan, Governor of the State of Indiana, requested that I make a full and comprehensive review of the operations and procedures of the Indiana Bureau of Motor Vehicles. The primary focus of this review was to submit to the Governor recommendations that would prevent employee misconduct and customer fraud. Upon receipt of this assignment, I began immediately to gather the information necessary to complete the report and to make the requested recommendations.

II. INVESTIGATION METHODOLOGY

Seventy-six (76) persons both inside and outside the Bureau of Motor Vehicles ("BMV") and the Bureau of Motor Vehicles Commission ("BMVC") were interviewed. Those persons included the following:

- The BMV Commissioner, Gerald Coleman (multiple times);
- Deputy Commissioner of Drivers and Vehicle Services;
- Deputy Commissioner of Finance;
- Deputy Commissioner of Branch Operations;
- Deputy Commissioner Administrative Services and Chief Counsel;
- Chief Information Officer;
- Program Director (Special Projects);
- Legislative Liaison;
- Interim Audit Director;
- Investigations Director;
- Media Communications Director;
- Assistant Deputy Commissioner;
- Human Resources, Branch Operations Director;
- Property Management Director;
- Titles Director;
- Drivers License Director;
- Human Resources/Payroll Director;
- Registration Excise Director;
- Twelve (12) District Managers;
- All Branch Managers in Marion County;
- Branch Managers in Lake, Marshall, Johnson, Grant, and St. Joseph Counties;
- Marion County Sheriff;
- Superintendent of the Indiana State Police;
- Representatives from the United States Attorney's Office for the Northern and Southern Districts of Indiana;
- Individuals with information who requested anonymity;
- A State Senator and a member of his staff;
- The four (4) voting members of the Bipartisan Indiana Bureau of Motor Vehicles Commission;
- Former employees.

I was either accompanied or assisted in these interviews by Penny Davis, Superintendent of the Indiana State Excise Police. I also visited all of the Marion County branches as well as most of the branches in the counties mentioned above where I visited with the branch managers.

Pursuant to I.C. § 9-15-1, the BMVC has broad oversight responsibilities and authority for all the branches and approximately one thousand six hundred (1,600) employees. During this investigation, I was provided with organizational charts, BMVC meeting minutes and memoranda. In addition, I reviewed recommendations and reports that were published by the American Association of Motor Vehicle Administrators ("AAMVA").

I am very grateful for the assistance and insights shared by the persons with whom we spoke. We received extraordinary cooperation from all the individuals mentioned during the course of this investigation and review. We attempted to avoid any conflicts with the on-going criminal investigations being undertaken by the Marion County Prosecutor's Office.

I would be remiss if I did not mention how impressed I was with the overwhelming integrity, enthusiasm, and honesty of the branch workers and managers who are the heart of BMV operations, and have great insight in what needs to be done to provide good, honest services.

III. FINDINGS AND RECOMMENDATIONS

My findings and recommendations involve oversight, leadership, management, security, and an outside performance evaluation. The overriding principle involved in these findings and recommendations is the core concept that "GOOD SECURITY IS GOOD MANAGEMENT AND GOOD MANAGEMENT IS GOOD SECURITY."

With this core concept in mind, I make the following findings and recommendations:

1. BMVC oversight activities should be increased, encouraged, and better utilized. The Commissioner of the BMV serves as the chair of the BMVC along with four (4) Bipartisan voting members who are citizens appointed by the Governor. The BMVC under state law has considerable authority and responsibility for the operation of the one hundred seventy (170) BMV Branches and their one thousand six hundred (1,600) employees.¹ The BMVC has recently not been as involved with Bureau

¹ Under I.C. § 9-15-1-1, the Bureau of Motor Vehicles Commission is a body corporate and politic, and though separate from the state, the exercise by the commission of the Commission's powers constitutes as essential governmental function.

I.C. § 9-15-1-2 provides that the BMVC consists of the following five (5) individuals: four (4) individuals, not more than two (2) of whom may be members of the same political party, who: (A) shall be appointed by the Governor; (B) serve for a term of four (4) years; (C) may not hold other public office or serve as a state or local employee while serving as a Commission member; and (D) *shall devote as much time as is needed to carry out their duties, but are not required to devote full time to their duties* (emphasis supplied).

The duties of the Commission are set out in I.C. § 9-15-2-1. The Commission shall do the following: (1) develop and continuously update the Bureau's policies; (2) recommend to the Governor legislation that is needed to implement the policies developed by the Commission; (3) recommend to the Bureau proposed rules that are needed to implement the policies developed by the Commission and require those proposed rules to be adopted under I.C. § 4-22-2; (4) revise, review, adopt, and submit to the Budget Agency budget proposals for the Commission, the Bureau, and the

policies and operations and only conducted meetings on a quarterly basis. Some meetings were cancelled because a quorum could not be reached. The perception of the BMVC is that it was a "rubber stamp" for the BMV.

All Branch managers and employees are BMVC employees. District managers and others "up the organizational lines" are BMV and regular state employees. BMVC employees and procedures are specific to the BMVC and differ in some respects from state procedures and policies.

UNTIL AND UNLESS THE LAW IS CHANGED, THE BMVC MUST BECOME MORE DIRECTLY INVOLVED WITH THE BMV, MEET ON A REGULAR BASIS, AND HAVE FREQUENT INTERACTION WITH THE COMMISSIONER AND OTHER BMV EMPLOYEES.

2. Responsibility for internal and external security falls in any organization on the shoulders of the leaders and managers of that organization. Leadership and management is particularly critical when the operation consists of one hundred seventy (170) locations with considerable day-to-day autonomy. Security and loss prevention are inextricably bound up in overall management and support activities. The BMV and BMVC need to immediately strengthen and better coordinate their operational and support efforts for the Branches. Branch and District managers told us of a need for more consistency and faster responses from BMV headquarters. High level BMV management needs to be better coordinated, energized, and re-organized to achieve this goal.

The Agency needs to work immediately towards being proactive instead of its present reactive mode. Many times we found that Branches providing excellent

license Branches operated under I.C. § 9-16 including the budget required by I.C. § 9-16-3-3; (5) establish the determination criteria and determine the number and location of license Branches to be operated under I.C. § 9-16. However, there must be at least one (1) full service license Branch in each county; (6) establish and adopt minimum standards for the operation and maintenance of each full service license Branch operated under I.C. § 9-16; (7) before January 1, 1997, establish and adopt minimum standards for the operation and maintenance of each partial service contractor under I.C. § 9-16. The standards must result in more convenience to the public by providing license Branch services at as many walk-up locations as possible without increasing the costs of providing these services; (8) before March 1, 1997, establish and adopt minimum standards for providing license Branch services using telephonic, facsimile, electronic, or computer means under I.C. § 9-16; and (9) administer the state license Branch fund established under I.C. § 9-29-14.

services were the result of good on-site management and a strong supportive District Manager. Conversely, where problems had been reported, there were issues in management at the Branch and in its oversight and support. Each Branch ends up being a "team" and the BMV headquarters must have systems and people in place to ensure their proper operations. Branches "struggling" should be quickly detected, and corrected and supported by BMV management before more serious problems arise.

LEADERSHIP SHOULD BE ENGAGED TO PROVIDE CONSISTENT SUPPORT TO THE BRANCHES.

3. BMV and BMVC security and loss prevention programs need to be given a much higher priority. A comprehensive security program should be developed immediately. The Agency's present system at best is inadequate. Considering the huge amount of money, millions of transactions, and the integrity of the Indiana drivers license involved, a much broader program is needed. In addition to preventative systems and procedures, guaranteed access to police resources and prosecution is needed.

In-house police could be assigned from the Indiana State Police or Excise Police. Serious violations involving fraudulent Federal documents should be taken to the two (2) U.S. attorneys in Indiana for Federal prosecution. State violations should be taken to local prosecutors when appropriate. Internal and external law breaking should be investigated promptly and prosecuted whenever possible.

A program similar to the "Sky Marshals" could be implemented. Aircraft are being staffed on an unannounced, random basis with Federal Sky Marshals who provide instant police protection on commercial aircraft. The goal of that program is to have a Sky Marshal on each aircraft, but current resources do not allow for that. In a similar fashion, police presence could be provided in an anonymous and random manner until resources are available to have a more wide spread police presence. In any event, each Branch should be able to contact a police agency for immediate assistance.

Also, the Agency's internal audit capacity is presently inadequate. It should be strengthened immediately. A much stronger program of unannounced audits is needed as well as the ability to respond to situations faster.

INTERNAL SECURITY AND AUDIT PROCEDURES MUST BE GIVEN A HIGHER PRIORITY AND DEVELOPED FOR ALL OF THE BRANCHES.

4. One of the primary concerns that have been raised, and a primary focus of my investigation and recommendations, is the integrity of the Indiana drivers license. Certain documents, especially those provided from foreign nationals, should be verified not at the Branches, but at a centralized location, preferably BMV

headquarters. A license should not be issued until that verification takes place. This procedure may cause some delays, but it is my firm opinion, as well as those of many in the public safety field, this delay is justified. It will also relieve the pressure felt by local Branches to make difficult decisions based upon unique circumstances.

The driver's "written" and verbal testing should be verifiable and not dependent on outside third parties. The Branches have been utilizing interpreters who are not employees of the State. A better system needs to be implemented as soon as possible that avoids the use of outside parties in providing written and verbal tests.

Many of the present problems are linked to verification issues. The BMV's new computer system and federal cooperation should alleviate the need for third party interpreters as well as speed up the verification process for certain documentation. Much of this new technology is in the process of being implemented. It is an unrealistic, if not impossible, burden to place the complicated verification tasks on the many hard working, honest Branch employees.

I also believe Indiana should consider using biometric identifiers such as finger print scanning, hand printing, or retina scans for critical transactions like drivers licenses. I understand that cost and the state of the technology are issues which need to be further evaluated. However, the country is clearly moving in that direction as we struggle with burgeoning identity thefts in preventing terrorism. The Federal Government just began a program of scanning finger prints of persons arriving into our country. It is my understanding the intention is to scan a print from all persons arriving by the end of 2005.

The fraud problems Indiana has encountered regarding its drivers license issuing systems are not unique to Indiana. In fact, Indiana has been an active member of the AAMVA. Keith Kiser has recently submitted testimony and papers on the problems facing the states regarding "drivers license security issues." On October 1, 2003, Kiser identified the problems and made recommendations for solutions to the House Select Committee on Homeland Security in Washington, D.C.

He stated in his testimony:

"The state-issued drivers license is the most widely used and accepted form of identification in America. It's at the heart of our identification infrastructure and homeland security. Unfortunately, homeland security is threatened because of vulnerabilities in the drivers license system . . . today's system is at best antiquated."²

² Excerpts of testimony of Keith Kiser, Chair, AAMVA, *Drivers License Security Issues*, submitted to the House Select Committee on Homeland Security, Washington, D.C., October 1, 2003.

The essence of his testimony here and supported by other studies including the General Accounting Office center on forming an effective state and federal partnership to work toward data sharing, consistent, realistic policies, and strong verification ability utilizing available technology.

WHILE ACKNOWLEDGING DIFFICULTIES IN THE ISSUANCE OF DRIVERS LICENSES, INDIANA NEEDS TO IMMEDIATELY TAKE THE NECESSARY STEP OF CENTRALIZING THE ISSUANCE OF DRIVERS LICENSES IN THOSE INSTANCES WHERE DOCUMENTATION IS BEING PROVIDED THAT IS OUTSIDE THE NORMAL COURSE SUCH AS IN THE CASE OF FOREIGN NATIONALS. WE ALSO NEED TO CONTINUE TO IMPLEMENT COOPERATIVE EFFORTS BETWEEN STATES AND THE FEDERAL GOVERNMENT SO THAT ALL LINKS IN THE CHAIN ARE STRONG.

5. Many of the findings and recommendations that I have provided thus far create minimum standards to be followed. In order to maximize the operations of the BMVC Branches, an outside evaluation by a management consultant should be done to study the processes and organization of the BMV and BMVC. Between Seven Hundred Million Dollars (\$700,000,000.00) and Eight Hundred Million Dollars (\$800,000,000.00) are handled by the Agency and over ten million (10,000,000) transactions take place each year. Fewer than twenty (20) years ago Branches were operated by political parties. This Agency which can be compared to a large retail business needs to consider applying the most efficient structure, technology, and procedures now available.

The complaint most often heard about License Branches was the wait time. This takes its toll on both customers and employees. Some Branches seem to get customers in and out faster than others. The reasons appear to be some combination of efficiency and the number and type of transactions performed. A careful study of these processes might make it possible to better manage them and provide better service and less stress to all involved.

A PERFORMANCE AUDIT SHOULD BE UNDERTAKEN TO MAXIMIZE THE OPERATIONS OF THE BMVC BRANCHES.

IV. CONCLUSION

Thank you for permitting me to make these findings and present this report. The intent is to improve the oversight, leadership, management, security, and efficiency of the BMV Branches.

I need to thank and acknowledge Ms. Penny Davis, Superintendent of the Indiana State Excise Police, and her Agency for many hours of assistance on this important project. We also thank the many individuals "inside and outside" the BMV and BMVC who shared their ideas and concerns about this situation. We believe literally hundreds of dedicated, hardworking Branch workers do a good job often under difficult conditions collecting taxes and fees all day from lines of sometimes irritated individuals, and managing to do it completely, competently, and pleasantly. Our efforts should be to work with them to make the process the best we can make it together. They have assured us that they want to be able to be proud of their work and depend on us for consistent, realistic policies, and leadership.

Respectfully submitted,

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